



McALLISTER TOWING LTD.

and its subsidiary companies including

ISLAND TUG & BARGE LIMITED



ANNUAL REPORT _____ 1966



The Fire Tug JAMES BATTLE greeting the Soviet passenger ship ALEXANDR PUSHKIN on her maiden voyage to Montreal.

Although the JAMES BATTLE's towing assignments have taken her as far as Lake Michigan and the lower Gulf of St. Lawrence her frequent presence in Montreal has made it possible for her to provide much needed assistance at a number of major fires in Montreal Harbour during the past few years.

MCALLISTER TOWING LTD.

DIRECTORS

W. Leslie Forster, C.B.E.	Charles D. McAllister
August A. Franck	Gerard M. McAllister
Emile Heyrman	James P. McAllister
Kenneth S. Howard, Q.C.	James P. McAllister III
Anthony J. McAllister	Jean-Maurice Vaes

OFFICERS

W. Leslie Forster, C.B.E., *Chairman of the Board*
James P. McAllister, *President and Chief Executive Officer*
James P. McAllister III, *Executive Vice-President*
Gerard M. McAllister, *Vice-President and Secretary*
Anthony J. McAllister, *Vice-President*
Angus A. MacNaughton, C.A., *Vice-President - Finance*
Donal G. McAllister, *General Manager*
Louis J. Riso, *Treasurer*
Trevor H. Caron, C.A., *Assistant Treasurer and Assistant Secretary*

GENERAL COUNSEL

Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, *Montreal*

AUDITORS

McDonald, Currie & Co., *Montreal*

TRANSFER AGENT & REGISTRAR

Montreal Trust Company, *Halifax, Montreal, Toronto, Winnipeg & Vancouver*

HEAD OFFICE

20 Grey Nuns Street, *Montreal, Quebec*

DIRECTORS

Harold B. Elworthy	Charles D. McAllister
W. Leslie Forster, C.B.E.	Gerard M. McAllister
Emile Heyrman	James P. McAllister
Kenneth S. Howard, Q.C.	Jean-Maurice Vaes
Anthony J. McAllister	

OFFICERS

Harold B. Elworthy, *Chairman of the Board*
James P. McAllister, *Vice-Chairman*
Arthur B. Elworthy, *President*
Donald B. Elworthy, *Vice-President*
Edward Judd, C.A., *Vice-President, Secretary and Treasurer*
Gordon B. Elworthy, *Vice-President and Assistant Secretary*
Frederick W. Skinner, *Vice-President*
Jacques S. Heyrman, *Assistant to the President*
Joseph A. Spencer, C.A., *Assistant Treasurer*

GENERAL COUNSEL

Crease & Company, *Victoria*

AUDITORS

McDonald, Currie & Co., *Vancouver*

TRANSFER AGENT & REGISTRAR

The Royal Trust Company, *Victoria*

HEAD OFFICE

345 Harbour Road, *Victoria, British Columbia*

ISLAND TUG & BARGE LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Board of Directors is pleased to submit herewith the Annual Report for 1966, together with the Report of Auditors, Messrs. McDonald, Currie & Co.

FINANCIAL

Net earnings for 1966 amounted to \$1,293,000, an increase of \$154,000 over the \$1,139,000 in net earnings for 1965. Earnings per common share after all charges, including the payment of the dividend on the preference shares of Island Tug & Barge Limited, were \$1.29, an increase of 13% over the 1965 earnings of \$1.14 per share.

In order to meet the increasing demands for its services, the Company made capital expenditures in 1966 of \$2,627,000. Capital expenditures in 1965 were \$2,936,000.

EASTERN OPERATIONS

(St. Lawrence River & Great Lakes)

Ship docking activity in Montreal Harbour, which is the Company's main source of revenue in the East, continued to show a small but steady increase.

Towing in the St. Lawrence River and Great Lakes, including tug and scow work in connection with marine construction projects, also increased during the year.

The incidence of ship casualties decreased, however, with a resulting decline in salvage activity.

Winter operations, although still a minor part of the Company's activities in the East, increased significantly. In addition to assisting the growing number of winter ship arrivals in Montreal, the Company's ice-strengthened tugs acted as ice-breakers protecting construction projects and keeping channels open for ferries now attempting year-round service.

During the year the 1080-H.P. tug DANIEL McALLISTER and a 1700-ton deck scow were added to the fleet. In addition, two tugs were strengthened or otherwise modified to equip them for ice-breaking duties, thus bringing to five the number of Company tugs so equipped.

WESTERN OPERATIONS

(West Coast of North America and Pacific Ocean)

The value of forest production in British Columbia continued to increase during 1966 and in serving its many customers in the industry, your Company's volume of operation likewise sustained its regular pattern of growth.

To meet its larger commitments your Company's expansion programme continued apace. The 1530-H.P. tug ISLAND WARRIOR, eight chip scows, two 2500-ton bulk carrier barges and a 22-car railway barge were added to the fleet. In addition, a 700-foot pier was built at the North Vancouver tie-up berth and the Victoria shipyard and other facilities were expanded. Construction was started on two 1200-H.P. tugs and a 530-H.P. harbour tug for Victoria. These tugs will be the first of the Company's fleet to be fitted with Kort Rudders and are expected to show considerable improvement in propulsive efficiency and manoeuvrability over tugs of conventional design.

To meet future requirements other vessels, including a large deep-sea tug, are presently in the planning stage.

MANAGEMENT AND STAFF

The appreciation of the Board is extended to the management and all employees for their contribution to the progress of the Company during the year.

Signed on behalf of the Board,

JAMES P. McALLISTER,
President

Montreal, Que.
22nd March, 1967.

MCALLISTER TOWING LTD.

and its subsidiary co

CONSOLIDATED BALANCE SHEET as at 31st Decen

ASSETS	1966	1965
CURRENT ASSETS	\$	\$
Cash	419,840	541,772
Short-term deposits	335,349	1,377,349
Accounts and claims receivable (note 2)	2,733,406	2,205,396
Funds in escrow	222,641	935,233
Prepaid expenses and supplies	479,650	442,941
	<u>4,190,886</u>	<u>5,502,691</u>
OTHER ASSETS		
Investments—at cost	22,940	28,584
Cash surrender value of life insurance	54,259	50,439
Special refundable income tax	61,413	—
Deposit with trustee (note 7)	59,296	—
	<u>197,908</u>	<u>79,023</u>
FIXED ASSETS		
Vessels, property and equipment—at cost (note 3)	21,491,018	19,174,973
Accumulated depreciation	8,009,378	7,149,647
	<u>13,481,640</u>	<u>12,025,326</u>
<i>Signed on behalf of the Board</i>		
James P. McAllister, Director		
A. A. Franck, Director		
	<u>17,870,434</u>	<u>17,607,040</u>

anies including

ISLAND TUG
& BARGE
LIMITED

1966

LIABILITIES	1966	1965
CURRENT LIABILITIES	\$	\$
Accounts payable and accrued liabilities	1,530,756	1,324,774
Dividend declared	—	300,000
Income taxes	128,066	80,603
Funded debt—maturing within one year	682,617	982,617
	<u>2,341,439</u>	<u>2,687,994</u>
FUNDED DEBT—not maturing within one year (see schedule)	7,037,734	7,720,351
MINORITY INTEREST		
Island Tug & Barge Limited—preference shares	500,000	500,000
	<u>9,879,173</u>	<u>10,908,345</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized—1,500,000 shares without nominal or par value		
Issued and fully paid—1,000,000 shares	2,500,000	2,500,000
RETAINED EARNINGS	5,491,261	4,198,695
	<u>7,991,261</u>	<u>6,698,695</u>
	<u>17,870,434</u>	<u>17,607,040</u>

MCALLISTER TOWING LTD.

and its subsidiary

FOR THE YEAR ENDED 31ST DECEMBER 1966

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1966	1965
	\$	\$
BALANCE—BEGINNING OF YEAR	4,198,695	3,359,996
Net earnings for the year	<u>1,292,566</u>	<u>1,138,699</u>
	5,491,261	4,498,695
Dividend	—	300,000
BALANCE—END OF YEAR	<u>5,491,261</u>	<u>4,198,695</u>

CONSOLIDATED STATEMENT OF EARNINGS

	1966	1965
	\$	\$
INCOME FROM OPERATIONS	10,639,204	10,093,693
OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>8,839,054</u>	<u>8,603,184</u>
	1,800,150	1,490,509
INTEREST ON FUNDED DEBT	<u>478,027</u>	<u>245,424</u>
	<u>1,322,123</u>	<u>1,245,085</u>
OTHER INCOME		
Interest on short-term deposits	70,579	35,981
Profit on disposal of fixed assets	<u>68,829</u>	<u>8,478</u>
	139,408	44,459
	1,461,531	1,289,544
PROVISION FOR INCOME TAXES (note 5)	<u>131,465</u>	<u>113,345</u>
	1,330,066	1,176,199
MINORITY INTEREST		
Dividend paid on preference shares of a subsidiary company	<u>37,500</u>	<u>37,500</u>
NET EARNINGS FOR THE YEAR (note 6)	<u>1,292,566</u>	<u>1,138,699</u>

companies including

ISLAND TUG & BARGE LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

SOURCE OF FUNDS

Net earnings for the year	
Add: Charges not requiring cash outlay—	
Depreciation	
Other	
Issue of 6½% first mortgage bonds, Series "D"	

1966 \$	1965 \$
1,292,566	1,138,699
1,171,232	1,016,786
4,000	14,749
2,467,798	2,170,234
—	4,000,000
2,467,798	6,170,234

USE OF FUNDS

Purchase of fixed assets—net	
Additions to other assets—net	
Reduction in long-term debt	
Dividend declared	

2,627,546	2,935,980
122,885	2,972
682,617	1,147,418
—	300,000
3,433,048	4,386,370
(965,250)	1,783,864

INCREASE (DECREASE) IN WORKING CAPITAL

SCHEDULE OF FUNDED DEBT

McALLISTER TOWING LTD.

5¾% first mortgage serial bonds series "A" maturing in annual instalments of \$200,000 to 1st November 1969	
Series "B" maturing in annual instalments of \$75,000 to 1st November 1972	
5% first mortgage loans maturing in annual instalments of \$32,617 to 30th November 1969	
Non-interest bearing notes payable in 1966—balance of purchase price of shares of a subsidiary company	
6% loan payable to shareholder maturing 31st December 1969	
5% subordinated unsecured loans maturing 31st December 1969	

1966 \$	1965 \$
600,000	800,000
450,000	525,000
97,851	130,468
—	300,000
125,000	125,000
250,000	250,000
1,522,851	2,130,468

ISLAND TUG & BARGE LIMITED

4¾% first mortgage serial bonds series "A" maturing by 2nd July 1970	
6¼% first mortgage sinking fund bonds series "B" maturing by 2nd July 1972 and payable in United States funds	
6½% first mortgage sinking fund bonds series "C" maturing by 2nd July 1972	
6½% first mortgage sinking fund bonds series "D" maturing by 31st December 1980	

630,000	770,000
600,000	670,000
300,000	350,000
4,000,000	4,000,000
5,530,000	5,790,000

McALLISTER-PYKE SALVAGE LTD.

5¾% first mortgage serial bonds series "A" maturing in annual instalments of \$90,000 to 1st April 1973	
5¾% notes payable due in semi-annual instalments of \$12,500 to 30th June 1968	

630,000	720,000
37,500	62,500
667,500	782,500
7,720,351	8,702,968

FUNDED DEBT

Maturing within one year	
Not maturing within one year	

682,617	982,617
7,037,734	7,720,351
7,720,351	8,702,968

MCALLISTER TOWING LTD.

and its subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31st December 1966

1. The consolidation includes the accounts of the company and all its subsidiaries.
2. The accounts receivable include claims for \$298,350 in respect of salvage contracts. Claims filed under Lloyd's open form procedure amount to \$212,703 of which \$162,437 is secured by lien on the ships and cargoes. Management is of the opinion that the final awards, in aggregate, will not be less than the amount claimed.
3. The excess of the purchase price of shares of Island Tug & Barge Limited over their book value at date of purchase amounted to \$582,023 which has been allocated, in the consolidation, to the cost of fixed assets of the companies.
4. Of the unissued shares, 50,000 have been reserved for options to directors, officers and full-time employees of the company or its subsidiaries. The plan provides that options be exercisable on or before 30th June 1974. The price per share is \$8 to 30th June 1969, increasing by fifty cents in each of the next three years to 30th June 1972. No options have yet been granted.
5. The companies have followed the practice of claiming capital cost allowance in excess of depreciation recorded in the accounts and, as a result, taxes otherwise payable have been reduced by \$527,900 in 1966, \$513,100 in 1965 and, in the aggregate to date, by \$3,315,000.
6. Net earnings for the year have been determined after deducting the following items:

	1966	1965
	\$	\$
Depreciation of fixed assets	1,171,232	1,016,786
Remuneration paid to directors as directors or officers	31,445	23,588

7. The company is contingently liable in respect of \$99,900 of additional purchase price of shares of a subsidiary company. In accordance with the agreement, to date, \$59,296 has been deposited with a trustee to provide for payment of this additional purchase price.
8. The deed of trust and mortgage securing the first mortgage bonds of Island Tug & Barge Limited restricts dividend payments to amounts which would not reduce the consolidated retained earnings of that company and its subsidiaries below the balance as at 31st December 1964.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of McAllister Towing Ltd. and subsidiary companies as at 31st December 1966 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at 31st December 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

Montreal, 3rd March 1967



The ISLAND EXPRESS, in tow of the tug ISLAND COMMANDER, outbound from the Vancouver Harbour on its weekly scheduled 700-mile voyage to small ports on the northern tip of Vancouver Island. The EXPRESS—a veritable floating warehouse—provides a lifeline service to isolated communities. It carries heavy equipment, containerized and palletized general cargo, perishables and refrigerated cargo, all handled by its self-contained lift truck and elevator system.

